1986 Annual Report

Manitoba Data Services

87-03657/

Manitoba

Minister of
Employment Services
and Economic Security

Room 357
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

December 15, 1986

The Honourable George Johnson
Lieutenant Governor of the Province of Manitoba

Sir:

I have the honour of respectfully submitting to you the Annual Report of Manitoba Data Services for the year ended March 31, 1986.

LEN EVANS
Minister Responsible for
Manitoba Data Services

Manitoba Data Services

10th FLOOR 215 GARRY STREET, WINNIPEG, MANITOBA R3C 3P3 PHONE (204) 956-0760

September 24, 1986

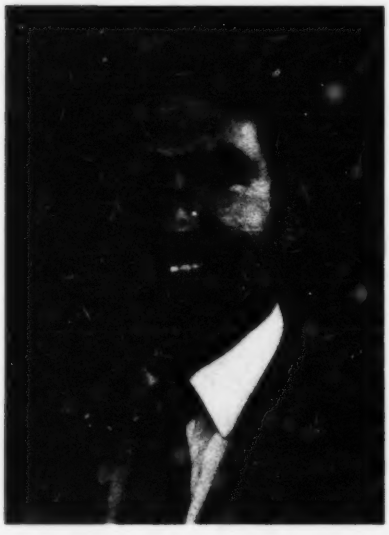
The Honourable Leonard S. Evans
Minister Responsible for
Manitoba Data Services
Legislative Building
Winnipeg, Manitoba

Dear Sir:

In accordance with the Manitoba Data Services Act, I am pleased to present the Annual Report for Manitoba Data Services for the year ended March 31, 1986.

Yours truly

R. M. SILVER
Chairperson
Manitoba Data Services



Manitoba Data Services

11th ANNUAL REPORT

For the year ended March 31, 1986

Business Purpose

The Manitoba Data Services Act states that:

"The aim and object of the Commission is to provide and maintain computer and data processing services available to the government, government agencies and government supported institutions and, subject to this act, other persons".

This aim and object has been further developed by the Executive and Board into a number of mission statements that collectively define the business purpose of Manitoba Data Services.

— To provide computer related products and services to the Manitoba public sector.

— To be financially self-sufficient.

— To establish technical expertise and competence which will provide leadership and direction to the Manitoba Government in computer technology and will develop a reputation comparable to successful similar enterprises in Canada.

— To offer computer related products and services which facilitate the achievement of productivity gains by its clients.

— To make available efficient and effective computer services throughout Manitoba as is economically feasible.

— To operate a business that provides a source of high technology employment in Manitoba.

— To make available computer related services which might otherwise be provided from outside of Manitoba.

Contents

Letters of Transmittal	1
Report of The President and General Manager	4
Board of Commissioners	6
Executive Officers	7
Provincial Auditor's Report	8
Financial Statements	9
Historical Data	14
1986 in Review	15

Highlights

OPERATIONAL:

- Installation of two 3090-200s
- Hydro Customer Service System
- Victoria Hospital Patient Management System
- Application Planning Program
- Employment Services & Economic Security Social Allowances Management Information System
- Manitoba Public Insurance Corporation Policy Management System

FINANCIAL

- Total revenues $18 588 000
- Total expenditures $17 535 000
- Net income $ 1 053 000
- Retained Earnings $ 1 684 000

Outlook

- Further expansion of computing capacity
- Installation of Patient Management System at Concordia Hospital

Report of the President and General Manager

Although revenues were down 1% from the previous year, Manitoba Data Services reports a positive net income on its 1986 operation. This reduced revenue is not reflective of lower business volumes but rather to the implementation of a 12% rate reduction at the beginning of the operating year. Consequently, in real terms, Manitoba Data Services realized business growth in the utilization of its services of approximately 11% compared to 1985.

This most recent rate reduction, in conjunction with those previously announced and the cost savings realized through the application development agreement introduced in 1985, has provided clients with a 48% cost improvement per unit of utilization when compared to the rates in force in 1981. This continuing reduction in the cost to use MDS' services is a combination of the implementation of operational efficiencies, the Commission's ability to take timely advantage of the improving cost performance realized through the adoption of new technological innovation, as well as the growth in utilization by clients and the resultant economies of scale which this yields. It is foreseen that this practice of regular reductions in the Commission's service rates will continue to be possible, and therefore, that clients will see even greater economy in future years.

Client focus in the use of Manitoba Data Services' services increasingly continues in the direction of online applications and services. During 1986 the demand for CICS based services grew by 158% to a level of 2.5 million transactions per month. Similarly, the use of Manitoba Data Services' time sharing option (TSO) grew by 85% in 1986.

This growth in the use of online services has had the expected effect of a significant increase in the number of terminals connected to the Commission's telecommunication network. By March, 1986 the number of terminals accessing the Commission's computers exceeded 2500. While the majority of these terminals continue to be located in Winnipeg offices of Manitoba Data Services' clients, in 1986 there was a dramatic increase in the number of terminals installed in rural Manitoba. From only 67 units installed in the rural areas in early 1985 there was an increase to over 307 by March, 1986.

The Commission continued to be successful in marketing its services to provincial hospitals. In October, 1985 Victoria General Hospital successfully implemented MDS' Patient Management System marking the second Winnipeg hospital using the service. Later in the year, Concordia Hospital indicated its acceptance of Manitoba Data Services' offer and it is expected to be fully operational by the Fall of 1986.

The traditional public sector clients of MDS continued to implement a wide variety of new applications during 1986. Of particular significance were the implementation of the Customer Services System by Manitoba Hydro, the Income Security System by the

Department of Employment Services and Economic Security and the Policy Management System by the Manitoba Public Insurance Corporation. These new systems were major contributors to the growth in the Commission's online services.

Due to the increase in client service demand experienced during the year and to the projection of a sizeable increase in future requirements, based on the new applications which clients had under development, the existing IBM 3084 QX computer system was supplemented by installation of an IBM 3090-200 computer in January, 1986.

To assist clients in meeting their data processing requirements Manitoba Data Services installed a number of important new products and services during the year. To provide clients with a broader range of online service support systems from which to select, ADABAS/NATURAL was acquired. This new product provides an alternative data base environment to the traditional IMS. The client response to ADABAS/NATURAL has been very encouraging.

To aid clients in the successful implementation of new systems a formal Application Planning program was announced. A number of clients have availed themselves of this new planning program and have indicated that they have attained very positive benefits as a result.

With the dramatic growth in the number of micro computers acquired throughout the client base it became increasingly important to institute an effective interface mechanism so that this equipment could communicate with the Government's host based applications. To achieve this, the micro computer interface product SIM 3270 was acquired in 1986 and made available to all Public Sector Departments and Agencies. Here again, the early results have been encouraging.

In 1985 it was indicated that the Commission was working towards the institution of a revamped computer service billing system to provide clients with more effective control over their data processing costs. In 1986 the final phase of this program was completed when the new storage accounting procedure was put into operation.

The support and direction provided by the Board of Commissioners has continued to be invaluable in the effective operation of Manitoba Data Services. During 1986, as a consequence of his transfer to Minneapolis, Mr. Kenneth Edstrom found it necessary to resign his position on the Board. During the six years he served Manitoba Data Services he held key responsibilities as Chairman of the Equipment Procurement Committee and the Audit Committee.

As in the past, the skill and commitment of Manitoba Data Services' staff to the success of the Commission is acknowledged and commended.

C. J. Chalmers

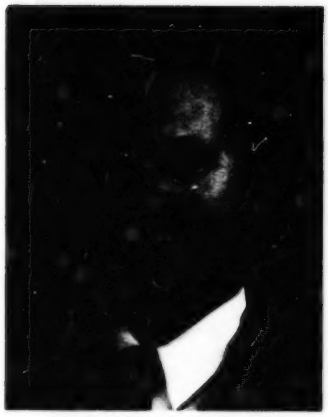
Manitoba Data Services Board of Commissioners 1986

+ Member of the Audit Committee

* Member of the Equipment Procurement Committee

Chairperson
ROBERT M. SILVER
Deputy Minister
Crown Investments

S. GLOVER ANDERSON
Assistant General Manager
Manitoba Telephone System



MICHAEL S. DOYLE*
Professor of Computer Science
University of Manitoba

R. MURRAY FRASER+
Executive Vice President
Corporate Services Manitoba Hydro

DONNA L. MARK
Problem Coordinator
Manitoba Data Services

BRUCE PERESKY
Computer Operator II
Manitoba Data Services

Manitoba Data Services Executive Officers

W. G. EAMER
Vice-President
Corporate Services

N. H. SHAKESPEARE
Vice-President
Operations Support Services

J. JONES
Vice-President
Client Support Services

C. J. CHALMERS
President and General Manager

Corporate Profile

Manitoba Data Services (MDS) is a commission of the Province of Manitoba, operating as a service bureau providing computer services and products to government departments, agencies, crown corporations and other government supported institutions.

MDS reports to the Province of Manitoba through a Board of Commissioners and the Cabinet Minister responsible for the Commission.

The President and General Manager and three Vice Presidents form the executive of MDS, reporting to the Board of Commissioners.

The Operations Support Services Division is responsible for the installation, maintenance and management of installed hardware and system software. Client Support Services Division provides consulting services and assistance to clients in planning their data processing needs plus problem resolution management when difficulties are encountered. Corporate Services Division provides the administrative, accounting and human resources support necessary to a large corporation.

MDS has provided data processing services to the Province of Manitoba since 1959, initially as a Branch of the Department of Finance. In 1975, MDS was formed as a subsidiary of the Manitoba Telephone System, and in 1979, by an act of the Legislature of the Province of Manitoba, MDS was established as an independent Commission.

As a supplier of data processing to the Province of Manitoba, MDS serves all government departments, Crown Corporations and agencies, including the Manitoba Telephone System, Manitoba Hydro, the Manitoba Health Services Commission, the Manitoba Public Insurance Corporation, and the Workers Compensation Board. In addition, MDS also provides access to driver and vehicle information to the City of Winnipeg Police Department, the Brandon City Police Department and RCMP Detachments in Manitoba.

Since inception, MDS has continued to expand its service capability consistent with new developments in the data processing industry and relative to its clients' needs.

MDS is currently operating under Multiple Virtual Storage — XA (MVS/XA) with Job Entry Subsystem type 3 (JES3) on two IBM 3090 model 200 Central Processing Units.

Manitoba

MANITOBA DATA SERVICES
REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the statement of financial position of Manitoba Data Services as at March 31, 1986 and the statements of operations, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of Manitoba Data Services as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

F. H. JACKSON, C.A.,
Provincial Auditor

September 15, 1986.
Winnipeg, Manitoba

Manitoba Data Services

Management Report

Management is responsible to the Board of Commissioners for the financial statements of the Commission which have been prepared in accordance with generally accepted accounting principles. Financial information presented elsewhere in this Annual Report is consistent with that contained in the financial statements.

The Commission maintains a system of internal control which provides management with reasonable assurance that client data and other assets are safeguarded and that reliable operating and financial records are maintained. This system includes written policies and procedures combined with an organizational structure which provides for appropriate delegation of authority and segregation of responsibilities. The Commission has also instituted policies and guidelines which require employees to maintain the highest of ethical standards.

The Provincial Auditor, whose report based upon an examination of the financial statements is included here, also reviews the Commission's system of internal control in accordance with generally accepted auditing standards for the purpose of expressing an opinion on the financial statements.

The Board of Commissioners has reviewed and approved these financial statements. To assist the Board in meeting its responsibility, it has appointed an Audit Committee which meets with management and with the Provincial Auditor jointly and separately, to review audit, financial reporting and related matters.

C. J. CHALMERS
President and
General Manager

W. G. EAMER, C.A.
Vice-President
Corporate Services

Statement of Operations

Year ended March 31, in thousands of dollars	**1986**	1985
REVENUES		
Data processing	**$17 638**	$17 916
Program maintenance	**92**	122
Miscellaneous	**858**	773
	18 588	18 811
EXPENSES		
Salaries and administration	**9 008**	8 100
Computer equipment and software, rental and maintenance	**6 261**	5 211
Depreciation and amortization	**1 459**	2 002
Pension and vested sick leave (Note 3)	**763**	630
Interest, net		
— Government of the Province of Manitoba (Note 4)	**133**	420
— Other	**(83)**	(39)
Loss (Gain) on sale of computer equipment	**(6)**	624
	17 535	16 948
NET EARNINGS	**$ 1 053**	$ 1 863

The accompanying notes are an integral part of these statements.

Manitoba Data Services
Statement of Financial Position

ASSETS

At March 31, in thousands of dollars	1986	1985
CURRENT ASSETS		
Cash	**$ 64**	$ 244
Accounts receivable	**4 382**	3 804
Investment with the Minister of Finance,Government of the Province of Manitoba	**4 300**	3 600
Prepaid expenses	**60**	62
	8 806	7 710
FIXED ASSETS (Note 5)	**10 317**	2 326
OTHER ASSETS		
Proprietary software	**1 680**	1 170
Deferred charges	**—**	17
	1 680	1 187
Less accumulated amortization	**950**	663
	730	524
Long-term accounts receivable (Note 6)	**213**	491
	943	1 015
	$20 066	$11 051

LIABILITIES AND RETAINED EARNINGS

CURRENT LIABILITIES		
Accounts payable	**$ 1 010**	$ 562
Principal due within one year on advance from the Government of the Province of Manitoba	**1 493**	1 356
Principal due within one year on capital equipment leases payable	**1 009**	—
	3 512	1 918
LONG-TERM LIABILITIES		
Pension and vested sick leave (Note 3)	**4 136**	3 407
Advance from the Government of the Province of Manitoba (Note 4)	**3 602**	5 095
Capital equipment leases payable (Note 5)	**7 132**	—
	14 870	8 502
RETAINED EARNINGS	**1 684**	631
	$20 066	$11 051

The accompanying notes are an integral part of these statements.

Approved On Behalf Of The Board

R. M. Silver
Chairman

R. M. Fraser
Member

Manitoba Data Services

Statement of Retained Earnings

Year ended March 31, in thousands of dollars	1986	1985
RETAINED EARNINGS — BEGINNING OF YEAR		
Originally reported	$ 631	$ 1 301
Adjustment of pension costs recorded in 1985	—	(2 533)
Restated	631	(1 232)
NET EARNINGS	1 053	1 863
RETAINED EARNINGS — END OF YEAR	$ 1 684	$ 631

Statement of Changes in Financial Position

Year ended March 31, in thousands of dollars	1986	1985
SOURCES OF WORKING CAPITAL		
Net earnings	$ 1 053	$ 1 863
Add charges not involving an outlay of funds		
Depreciation, amortization and accruals	1 474	2 006
Pension and vested sick leave	763	630
Loss (gain) on sale of computer equipment	(6)	624
	3 284	5 123
Addition of capital equipment leases	8 168	—
Reduction to long-term accounts receivable	277	179
Sale of computer equipment	6	5 836
	11 735	11 138
USES OF WORKING CAPITAL		
Computer equipment		
— capital leases	8 168	—
— owned equipment and proprietary software	1 059	4 724
Furniture, fixtures and leasehold improvements	432	183
Pension and vested sick leave	34	21
Capital equipment lease	1 047	—
Advance from the Government of the Province of Manitoba	1 493	3 622
	12 233	8 550
(DECREASE) INCREASE IN WORKING CAPITAL	(498)	2 588
WORKING CAPITAL — BEGINNING OF YEAR	5 792	3 204
WORKING CAPITAL — END OF YEAR	$ 5 294	$ 5 792

The accompanying notes are an integral part of these statements.

Manitoba Data Services

Notes to Financial Statements — March 31, 1986

1. ORGANIZATION

Manitoba Data Services is a Commission established by an Act of the Manitoba Legislature June 15, 1979 to provide electronic data processing services to the Government and government agencies

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Reporting

The financial statements have been prepared in accordance with generally accepted accounting principles.

(b) Revenue Recognition

Revenue is recorded as services are provided.

(c) Fixed Assets

Fixed assets are initially recorded at cost and include certain leases, which in substance are purchases, capitalized at the lesser of fair value and the present value of their net minimum lease payments.

Depreciation and amortization of owned and leased assets are provided on a straight-line basis to amortize the cost over their estimated useful lives.

	YEARS
Computer equipment	3 to 4
Furniture and fixtures	5 to 10
Leasehold improvements and proprietary software	3 to 5

(d) Pension Plan

Employees of the Commission are participants in the Manitoba Civil Service Superannuation Fund. Pension costs are charged to income in the current year. Actuarial gains and losses as determined by a triennial actuarial review are amortized over a three-year period.

3. PENSION AND VESTED SICK LEAVE

(a) Pension

All employees of the Commission are required to contribute to the Manitoba Civil Service Superannuation Fund at prescribed rates for defined benefits. The December 31, 1983 triennal actuarial report showed the Fund to be in a sound surplus position.

The Commission is required to reimburse the Superannuation Fund for 50 percent of payments made to retired employees. The actuarial present value of this obligation determined in accordance with the formula contained in the triennial actuarial report, including provision for increases in pensions due to increases in the cost of living, is $3 735 000 at March 31, 1986 (1985: $3 098 000).

A portion of the funds on deposit with the Minister of Finance, Government of the Province of Manitoba has been designated by the Commission in an amount sufficient to fully fund the actuarially-determined future liability.

(b) Sick Leave Vesting

A portion of each employee's unused annual sick leave allowance is vested payable on termination of employment. The vested amount as at March 31, 1986 is $401 000 (1985: $309 000).

4. ADVANCE FROM THE GOVERNMENT OF THE PROVINCE OF MANITOBA

Principal and interest at 10% repayable $2 001 629 per annum through 1990.

	1986	1985
Opening balance	$5 095 000	$8 717 000
Application of net proceeds from disposal of computer equipment	—	2 266 000
Principal due within one year	1 493 000	1 356 000
	$3 602 000	$5 095 000
Interest expense	$ 645 000	$ 879 000
Less income earned on deposits with the Minister of Finance, Government of the Province of Manitoba	512 000	459 000
	$ 133 000	$ 420 000

Manitoba Data Services

5. FIXED ASSETS

	1986			1985
	Cost	Accumulated Depreciation and Amortization	Net	Net
Computer Equipment				
— Owned	$ 6 464 000	$5 038 000	$ 1 426 000	$1 898 000
— Capital Lease	8 168 000	42 000	8 126 000	—
Furniture and fixtures	745 000	310 000	435 000	355 000
Leasehold improvements	570 000	240 000	330 000	73 000
	$15 947 000	$5 630 000	$10 317 000	$2 326 000

(a) In January, 1986 Manitoba Data Services entered into a sixty-month operating lease agreement for a 3090-200 processor. This lease is terminable by MDS after thirty-six months upon payment of a termination fee equal to three months lease payments ($438 000). Manitoba Data Services anticipates that, at the end of the thirty-six month period, the processor shall be returned to the lessor; accordingly, the $438 000 termination fee is being charged to operations over a thirty-six month period.

(b) A second 3090-200 processor was installed in March, 1986 replacing the 3084-QX which was returned to the lessor without penalty as provided by the terms of the 1984 lease agreement. This second processor is leased under a sixty-six month capital lease.

(c) Future minimum payments under capital and operating leases, together with the present value of the net minimum payments under the capital leases, are as follows:

Years Ending March 31,	Leases	
	Capital	Operating
1987	$ 1 665 000	$2 206 000
1988	1 963 000	2 206 000
1989	1 963 000	2 158 000
1990	1 884 000	—
1991	1 857 000	—
Subsequent years	1 238 000	—
Total minimum lease payments	$10 570 000	$6 570 000
Less interest element (Average 11%)	2 429 000	
Present value of net minimum lease payments	8 141 000	
Less principal due within one year	1 009 000	
Capital equipment leases payable	$ 7 132 000	

6. LONG-TERM ACCOUNTS RECEIVABLE

Term financing is extended to clients for the purchase of computer equipment and for systems development. Principal amounts receivable within one year of $125 000 (1985: $184 000) are included in current accounts receivable.

7. RELATED-PARTY TRANSACTIONS

Substantially all revenue earned by Manitoba Data Services and related accounts receivable are from departments of the Government of the Province of Manitoba, its Crown corporations and agencies.

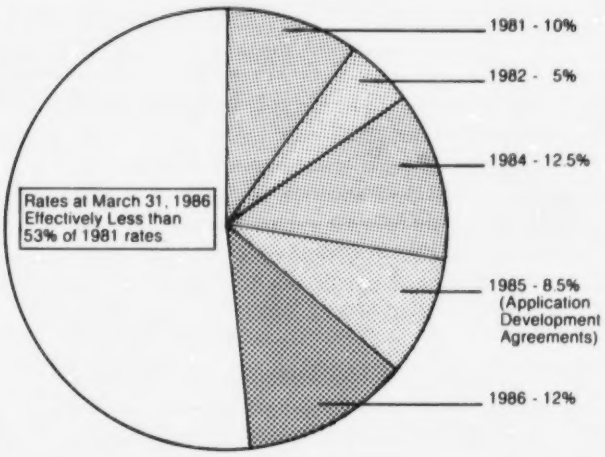
8. COMPARATIVE FIGURES

Certain of the 1985 figures have been restated consistent with the 1986 presentation.

Manitoba Data Services Historical Data

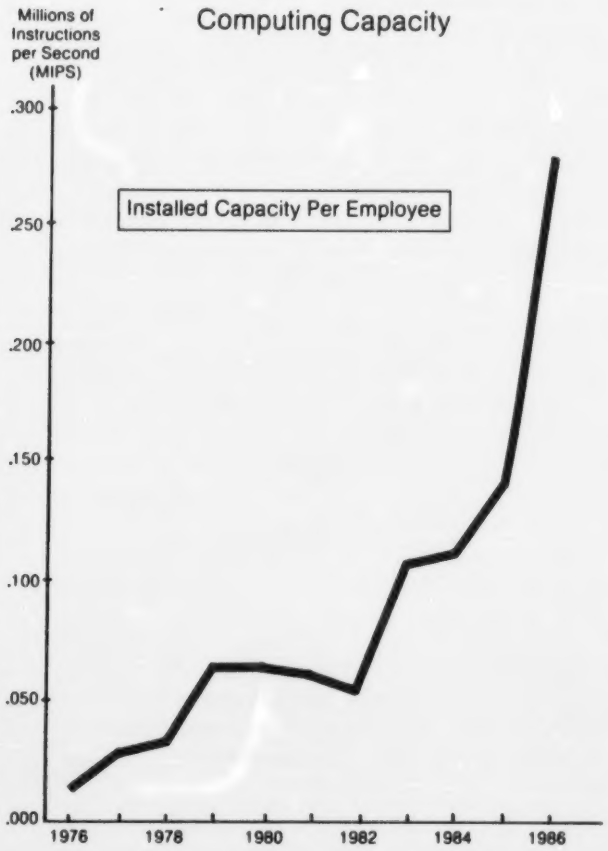
Financial Results

Rate Reductions

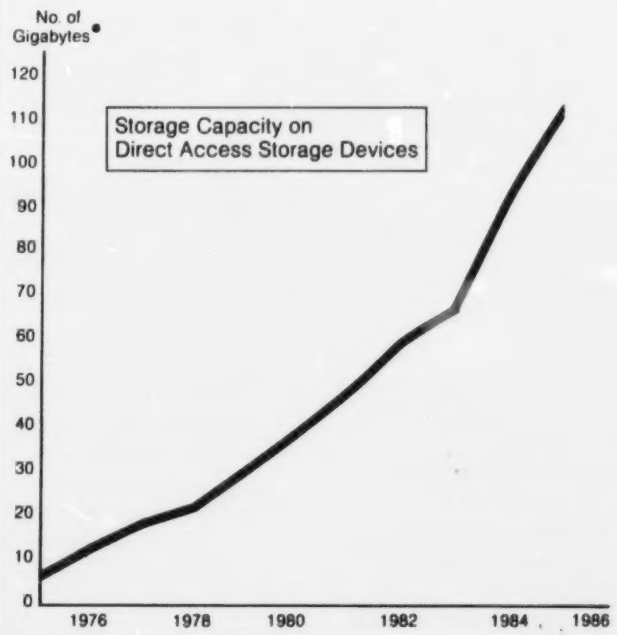

1981 - 10%
1982 - 5%
1984 - 12.5%
Rates at March 31, 1986 Effectively Less than 53% of 1981 rates
1985 - 8.5% (Application Development Agreements)
1986 - 12%

Cumulative Effect of Rate Reductions and other Cost Savings Introduced since 1981

Computing Capacity



Data Storage Capacity



*GIGABYTE = 1,073,741,824 Bytes

Manitoba Data Services — 1986 in Review

Manitoba Data Services entered its second decade of service in 1986. During the year the Commission continued to provide high quality computing facilities, products and services to meet the business needs of its clients.

Development of the Disaster Recovery program continued. Following a successful initial test of the Sungard standby facility, a client system — the Manitoba Telephone System's Accounts Payable program — was operated successfully at the Chicago facility. Further development in the technical and logistical procedures continues and an operational disaster recovery product will be available to all clients in 1987.

The central site computing facility was upgraded during the year with the installation of two model 3090-200 processors in response to substantially increased client use of MDS products and services. Client transactions using IMS, TSO and CICS increased by 10%, 73% and 200% respectively over the previous year.

Employment Services and Economic Security

FOCUS, a fourth generation computing product is now supported through the MDS Infocentre. Support offerings include: consultation to assist in data base design, application analysis, cost estimates and general efficiency techniques, a one-day no-charge introductory course, a CBT (computer-based training) course, demonstrations covering specific FOCUS features, workshops to assist clients in developing applications, and a two-hour management overview seminar for managers with no prior exposure to FOCUS. Later in the year an online FOCUS User Guide was made available to FOCUS users.

During 1986 the record of the Debates and Proceedings of the Legislature of Manitoba were made available via MDS-connected terminals. In a joint announcement, the Office of the Speaker and MDS introduced the new service. The computerized version is excellent for searching subjects debated in the Legislature. An indexing system called AQUARIUS (A Query And Retrieval Interactive Utility System) indicates the number of occurrences and the locations in the Debates of any word or subject specified by a user. The user

Manitoba Telephone System

then calls up the appropriate page on the terminal and reads the context. This new version supplements the traditional printed Debates.

A new no-charge Application Planning Program was made available to clients in 1986. Its objective is to assist clients developing information systems plans to accelerate the implementation of data processing solutions. The program uses a structured planning methodology and MDS consulting resources. In a series of cooperative planning sessions both client and MDS staff examine the client's business environment, isolate problems, define application solutions, evaluate alternatives and prepare a business case for client management. The program has been successful in allowing clients to shorten significantly the development cycle of solutions to business problems.

The Product Reference List, introduced in 1984, continued to be well-received by clients who report that they find the information helpful. The list is updated quarterly and published in the MDS Newsletter.

The Commission's Product Line Management staff developed a more flexible approach to providing assistance to clients in the acquisition of small business computers, word processors and distributed data processing equipment. The former Standard Product Lines have been replaced by profiles that list the application functions available at MDS and the communications capabilities required to access those applications on the MDS host computer. The guidelines are not hardware dependent, but provide the pertinent connection information required when considering hardware purchases.

A new dial-up service — SIM/3278 — which provides casual users with an improved means of dial connection to MDS

Manitoba Public Insurance Corporation

was announced in 1986. SIM/3278 provides dial-up access to full-screen host applications for users of more than 50 different types of computer terminals and personal computers. Use of SIM/3278 eliminates the requirement for expensive hardware protocol converters or modems.

The Commission again participated in two student employment and career development programs. The first — Student Temporary Employment Program (STEP) — employs approximately 900 Manitoba students in various government departments and crown corporations. During 1986 MDS employed 12 students who were enrolled in computer science and computer programming courses at the University of Manitoba and Red River Community College. MDS also continued to support the University of Manitoba Computer Science Cooperative Option Program. Students in the honours degree course spend alternate three-month periods working and studying. MDS has established two positions for students in this program.

MDS developed a series of end-user seminars for clients. The one-hour sessions are designed to provide clients currently not using data processing technology with an opportunity to better understand the concepts of basic computer applications. Seminars were presented at several locations and were well-attended. Plans are to continue them on a demand basis.

The fiscal year 1986 saw a number of significant developments in the computer industry. The benefits of improved technology and the ever-widening scope of computer applications in business systems continue to be made available to the Manitoba public sector by Manitoba Data Services.

Workers Compensation Board

Manitoba Hydro